

[Back to the drawing board guys and gals](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 23 June 2012

The great thinkers at the nef have insisted that we must reform the UK banking system in the [following manner](#) [3]:

We need new institutions such as a Post Bank, Social Investment Bank, Green Investment Bank and new mutual, local and regional banks to provide a diverse, competitive and resilient banking system fit for the 21st century.

They and Compass organised the Good Banking Campaign [which said](#) [4]:

The creation of a genuinely mixed and plural banking sector with far more choice for people than the present one-size-fits-all model with its few 'too big to fail' banks. Such a sector would for example include flourishing building societies, local and regional banks, green banks, a post bank run through the post office network, co-operatives and mutuals so that all sections and needs of society and business are properly catered for.

Lovely. Co-ops and mutuals, just get rid of that capitalist part, the shareholders, and everything will be well sweet. From the [New York Times](#) [5]:

Spain's three largest banks ? Santander, BBVA and La Caixa ? are not expected to request rescue financing.

Ah, something of a problem with the basic thesis then. For two of those three are the capitalist shareholding type banks. All the ones going bust and threatening to bankrupt the entire country are the local, regional, mutual or co-op type banks.

I'm all in favour of having a varied ownership structure for I really do believe in markets. Markets in forms of organisation just as much as in products or services. But to think that cuddly local organisations cannot cause problems is an error. Especially when, as in Spain, so many of them were subject to the "democratic control" of the local political classes.

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